Planning by	Reviewed	Performed by	Final review

Client details
Client name: Emthanjeni Local Municipality
Year end: 30 June 2009

File details
Ver No: 2008.10.20
File name: Emthanjeni Local Municipality 2009 CaseWare
Doc name: Emthanjeni Local Municipality 2009 CaseWareFSNG0000ZAFS.cvw
File path C:\DATA\NOTES\MYCLIENTS\EMTHANJENI LOCAL MUNICIPALITY 2009 CASEWARE\
Last update: 32
Design mode has been entered
Builder mode has been entered

Balance Check Company

			2009	2008
	Balance Sheet balances			
	Cash flow statement balances			
	Net Income per the Income Statement does not agree with the NETINC account	Diff	(3)	-
	Opening Retained Income does not match the closing balance for the prior year	Diff	(6,033)	(17,429)

Print Details
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Emthanjeni Local Municipality

Annual financial statements
for the year ended 30 June 2009

General Information

Nature of business	Emthanjeni Local Municipality is a local municipality performing the functions as set out in the Constitution.(Act no 105 of 1996).
Members of the Executive Committee	
Mayor	Councillor BK Markman
Councillors	Councillor EP Eksteen (Speaker) Councillor C Koopman Councillor GL Nyl (Member of Executive Committee) Councillor M Malherbe Councillor AF Jafta Councillor ST Sthonga Councillor JJ Oberholzer Councillor GL Nkumbi Councillor NS Thomas Councillor S Max Councillor B Swanepoel (Member of Executive Committee) Councillor EG Hendricks Councillor GA White
Grading of local authority	Grade 3
Accounting Officer	Mr Isak Visser B.Com, HDE, CPMD
Chief Finance Officer (CFO)	Mr Moggamat Faried Manuel B.Compt
Business address	Voortrekker Street 45 De Aar 7000
Postal address	PO Box 42 De Aar 7000
Bankers	ABSA Bank Voortrekker Street, De Aar, 7000
Auditors	Auditor General - Kimberley
Attorneys	Towell & Groenewaldt Rugby House, Roper Street, Kimberley, 8301

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The reports and statements set out below comprise the annual financial statements presented to the council:

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Abbreviations

ELM	Emthanjeni Local Municipality
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 61, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 5 to 44, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2009 and were signed on its behalf by:

Mr Isak Visser

AUDITOR-GENERAL

Report of the Auditor General

To the Council of Emthanjeni Local Municipality

Report on the Financial Statements

This report will be inserted after the audit of the annual financial statements.

Auditor General - Kimberley

Statement of Financial Position

	Note(s)	2009 R	2008 R
Assets			
Current Assets			
Inventories	8	571,788	509,708
Current tax receivable	18	332,831	131,216
Operating lease asset		246,040	-
Trade and other receivables	9	3,032,113	2,494,563
Consumer debtors	10	11,310,296	46,380,469
Investments	6	7,682,376	8,762,234
Current portion of receivables	7	12,180	8,705
Cash and cash equivalents	11	1,643,136	2,098,246
		24,830,760	**60,385,141**
Non-Current Assets			
Investment property	3	258,469	-
Property, plant and equipment	4	537,022,293	8,877,771
Intangible assets	5	186,038	-
Non-current receivables	7	62,907	78,977
		537,529,707	**8,956,748**
Total Assets		**562,360,467**	**69,341,889**
Liabilities			
Current Liabilities			
Finance lease obligation	14	297,131	497,176
Trade and other payables	19	4,877,599	6,929,382
Taxes and transfers payable	20	2,758,674	5,257,282
Consumer deposits	21	1,554,683	1,390,401
Unspent conditional grants and receipts	15	1,507,787	2,402,021
Provisions	16	2,971,102	2,527,763
Other non-current borrowings (Short-term portion)	17	1,317,811	1,203,780
Bank overdraft	11	1,872,487	7,387,380
		17,157,274	**27,595,185**
Non-Current Liabilities			
Finance lease obligation	14	76,777	373,908
Provisions	16	16,246,596	-
Other non-current borrowings	17	4,950,316	6,268,127
		21,273,689	**6,642,035**
Total Liabilities		**38,430,963**	**34,237,220**
Net Assets		**523,929,504**	**35,104,669**
Net Assets			
Reserves			
Revaluation reserve	12	341,370,867	-
Capital replacement reserve	13	2,252,793	18,694,080
Accumulated surplus		180,305,844	16,410,589
Total Net Assets		**523,929,504**	**35,104,669**

Statement of Financial Performance

	Note(s)	2009 R	2008 R
Revenue			
Property rates	23	10,586,770	9,984,123
Service charges	24	46,377,940	39,685,369
Property rates - penalties imposed and collection		203,369	219,821
Rental Income		513,894	334,793
Interest received - outstanding debtors		1,215,214	1,338,175
Fines		3,185,920	1,965,392
Licences and permits		1,019,902	922,530
Government grants	25	27,733,063	24,943,909
Other income		9,812,096	6,112,698
Interest received - investment	30	1,338,625	732,739
Total Revenue		**101,986,793**	**86,239,549**
Expenditure			
Employee related costs	27	34,537,507	29,367,343
Remuneration of councillors	28	2,879,953	2,568,591
Depreciation and amortisation	31	21,583,267	-
Finance costs	32	985,098	1,374,943
Bad debts	29	50,473,464	3,048,117
Collection costs		820,236	193,689
Repairs and maintenance		5,675,561	2,538,800
Bulk purchases	36	15,729,745	11,749,580
Grants and subsidies paid	35	6,348,390	5,035,540
General Expenses	26	14,085,136	25,027,894
Total Expenditure		**(153,118,357)**	**(80,904,497)**
(Deficit) surplus for the year		**(51,131,564)**	**5,335,052**

Statement of Changes in Net Assets

	Share capital / contributions from owners	Revaluation reserve	Capital replacement reserve	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R	R
Balance at 01 July 2008	**-**	**-**	**17,346,259**	**17,346,259**	**11,748,467**	**29,094,726**
Changes in net assets						
Revolfung fund contribution 2008	-	-	-	-	(672,930)	(672,930)
Other	-	-	1,347,821	1,347,821	-	1,347,821
Net income (expenses) recognised directly in net assets	-	-	1,347,821	1,347,821	(672,930)	674,891
Surplus for the year	-	-	-	-	5,335,052	5,335,052
Total recognised income and expenses for the year	-	-	1,347,821	1,347,821	4,662,122	6,009,943
Total changes	-	-	1,347,821	1,347,821	4,662,122	6,009,943
Balance at 01 July 2008	**-**	**-**	**18,694,080**	**18,694,080**	**16,410,589**	**35,104,669**
Changes in net assets						
Surplus for the year	-	-	-	-	(51,131,564)	(51,131,564)
Contributions introduced	-	341,370,867	2,252,793	343,623,660	-	343,623,660
IMFO Funds written off ito GRAP Conversion	-	-	(18,694,080)	(18,694,080)	-	(18,694,080)
Previous years' transactions corrected against accumulated surplus	-	-	-	-	215,026,819	215,026,819
Total changes	-	341,370,867	(16,441,287)	324,929,580	163,895,255	488,824,835
Balance at 30 June 2009	**-**	**341,370,867**	**2,252,793**	**343,623,660**	**180,305,844**	**523,929,504**
Note(s)		12	13			

Cash Flow Statement

	Note(s)	2009 R	2008 R
Cash flows from operating activities			
Cash generated from operations	37	8,778,367	1,939,758
Interest income		1,338,625	732,739
Finance costs		(812,011)	(1,374,943)
Taxes on surpluses	38	(201,615)	(449,346)
Net cash from operating activities		**9,103,366**	**848,208**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(3,426,275)	(9,211,547)
Sale of property, plant and equipment	4	-	8,936,306
Sale of investments		1,079,858	-
Sale of non-current receivables		12,595	3,332
Net cash from investing activities		**(2,333,822)**	**(271,909)**
Cash flows from financing activities			
Movement in other non-current borrowings		(1,203,780)	(1,087,200)
Movement in Consumer deposits		164,282	260,327
Finance lease payments		(670,263)	871,084
Net cash from financing activities		**(1,709,761)**	**44,211**
Total cash movement for the year		**5,059,783**	**620,510**
Cash at the beginning of the year		(5,289,134)	(5,909,644)
Net increase (decrease) in cash and cash equivalents	11	**(229,351)**	**(5,289,134)**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The standards are summarised as follows:

Standard of GRAP	
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Cost
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 39	Financial Instruments: Recognition and measurement
IFRS 7	Financial Instruments: Disclosure
IAS 36	Impairment of assets
IPSAS 20	Related Parties
IPSAS 21	Impairment non-cash generating assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out underneath for: First-time adoption of Generally Recognised Accounting Practices (GRAP).

1.1 First time implementation of GRAP

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GRAP issued by the Accounting Standards Board during the financial year. GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have

Accounting Policies

1.1 First time implementation of GRAP (continued)
been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GRAP is set out in Note 30.

The Municipality has also taken advantage the three year transitional period granted in Directive 4 - Transitional Provisions for medium and low capacity Municipalities issued by The Accounting Standards Board for the initial adoption of GRAP 12, 16, 17 and 102..

The Municipality may have transactions, events or balances that are outside the ambit of GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

1.2 Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going Concern Assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

- Additional text

1.5 Comparative Information

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.
When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.6 Investment property

Investment property is property held to earn rentals. Investment property is stated at fair value and a valuation will be performed every four years, together with the general valuations, based on the income capitalisation method. The fair value is determined from the ability of the property to produce a rental income, taking into account the expenses to produce the rental income which is capitalised at a market-related rate and taking into account the risk, age and condition of the property with existing buildings. Any surpluses that occur due to revaluation of the investment property are directly allocated to the capital funds. Investment property buildings will be depreciated over 30 years on the straight line method.

1.7 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.7 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Where impaired land and buildings are revalued, the increase in value of land and buildings are recognised as revenue to the extent that it reverses the impairment loss previously recognised as an expense.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-is carried at cost less accumulated depreciation and any impairment losses.

Fixed assets for which the historical expenditure can be directly substantiated with documentary proof, will be brought into account by the Depreciated Cost methodology. Where no historical information is available the Depreciated Replacement Cost methodology will be used to bring the asset into the financial system at fair value.

Item	**Average useful life**
Buildings	30
Furniture and fixtures	7 - 10
Motor vehicles	
• Specialist vehicles	10
• Other vehicles	5
Office equipment	3-7
Leasehold improvements	
• Leased Assets	22
Infrastructure	
• Roads and paving	30
• Pedestrian Malls	30
• Electricity	20-30
• Water	15-20
• Sewerage	15-20
• Housing	30
Community	
• Improvements	30
• Recreational Facilities	20 - 30
• Security	5
Other property, plant and equipment	2-5
Bins and containers	5
Water network	15 - 20

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment

Accounting Policies

1.7 Property, plant and equipment (continued)
is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.8 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

1.9 Financial instruments

Initial recognition and measurement

Financial instruments are initially recognised at fair value.

.

Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Accounting Policies

1.9 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables on the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Accounting Policies

1.11 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of assets

The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a

Accounting Policies

1.12 Impairment of assets (continued)
revaluation increase.

1.13 Share capital / contributions from owners

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the statement of financial performance over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

Accounting Policies

1.14 Employee benefits (continued)

The municipality provides post-retirement health care benef and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.16 Government grants

Government grants are recognised when there is reasonable assurance that:

- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Accounting Policies

1.16 Government grants (continued)

Grants related to income are presented as a credit in the income statement (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as bad debt and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant

Accounting Policies

1.21 Irregular expenditure (continued)
programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.22 Reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised Interest earned on the investment must be capitilised to the CRR through the Statement of Performance.

Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.24 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.25 Related Parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Mayor, Speaker and members of the Executive Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.26 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Accounting Policies

1.27 Revenue

Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will received based on past experience of amounts collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.28 Events after the reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements.

	2009 R	2008 R

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5 Borrowing Cost
GRAP 6 Consolidated and Seperate Financial Statements
GRAP 7 Investments in Associates
GRAP 9 Revenue from Exchange Transactions
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
GRAP 102 Intangible Assets
IAS 19 Employee Benefits
IAS 32 Financial Instruments: Presentation
IAS 39 Financial Instruments: Recognition and measurement
IFRS 7 Financial Instruments: Disclosure
IAS 36 Impairment of assets
IPSAS 20 Related Parties
IPSAS 21 Impairment non-cash generating assetsIFRS5 Non-current Assets Held for Sale and Discontinued Operations

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2008 is as follows:

Statement Of Financial Position

Property, plant and equipment		
Adjustment - Revaluation of Assets	341,370,867	-
Loans redeemen and other capital receipts written off ito GRAP	201,231,551	-
	542,602,418	**-**
Post retirement medical liabilities		
Adjustment	-	(14,342,345)
Stock on hand - Water		
Adjustment	-	6,034
VAT Receiveid - previous years		
Adjustment	(1,856,854)	-
IMFO Funds written off		
Previously stated	(18,699,732)	-
Adjustment	18,699,732	-
	-	**-**
Intangable Assets		
Adjustment	218,901	-

	2009 R	2008 R

2. Changes in accounting policy (continued)

Statement Of Financial Performance

Water stock		
Adjustment	-	(6,034)
Contribution Revolving Fund written back		
Previously stated	-	672,930
Adjustment	-	(672,930)
	-	**-**

3. Investment property

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	268,810	(10,341)	258,469	-	-	-

Reconciliation of investment property - 2009

	Opening Balance	Transfers	Impairments	Total
Investment property transferred from PPE	-	268,810	(10,341)	258,469

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 01 July 2008. Revaluations were performed by an independent valuer, Daniel Benjamin Grobler (Professional Associated Valuer, Member of the S.A Institute of Valuers and Member of the Council for the Property Valuers Profession, Professional Registration number 2311), from Anzel Trading 1024 trading as: Uluntu Valuations. Anzel Trading 1024 trading as: Uluntu Valuations are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

	2009 R	2008 R

4. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	42,917,150	-	42,917,150	10,473,111	-	10,473,111
Buildings	27,843,492	(1,608,136)	26,235,356	26,821,373	-	26,821,373
Furniture and fixtures	-	-	-	2,787,115	-	2,787,115
Motor vehicles	-	-	-	3,782,441	-	3,782,441
Office equipment	-	-	-	2,176,533	-	2,176,533
IT equipment	-	-	-	709,392	-	709,392
Infrastructure	477,622,067	(18,292,578)	459,329,489	135,838,058	-	135,838,058
Other property, plant and equipment	8,062,215	(1,056,933)	7,005,282	-	-	-
Water network	-	-	-	26,650,215	-	26,650,215
Leased infrastructure	1,411,648	(1,037,740)	373,908	1,411,648	(540,564)	871,084
Heritage	1,191,098	(29,990)	1,161,108	-	-	-
Other property, plant and equipment	-	-	-	-	(201,231,551)	(201,231,551)
Total	**559,047,670**	**(22,025,377)**	**537,022,293**	**210,649,886**	**(201,772,115)**	**8,877,771**

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Transfers	Revaluations	Depreciation	Total
Land	10,473,111	-	(2,122,747)	34,566,786	-	42,917,150
Buildings	26,821,373	2,047,623	(3,982,471)	2,956,967	(1,608,136)	26,235,356
Furniture and fixtures	2,787,115	-	(2,787,115)	-	-	-
Motor vehicles	3,782,441	-	(3,782,441)	-	-	-
Office equipment	2,176,533	-	(2,176,533)	-	-	-
IT equipment	709,392	-	(709,392)	-	-	-
Infrastructure	135,838,058	363,480	38,999,324	302,421,205	(18,292,578)	459,329,489
Other property, plant and equipment	-	1,015,172	7,081,043	(34,000)	(1,056,933)	7,005,282
Water network	26,650,215	-	(26,650,215)	-	-	-
Leased infrastructure	871,084	-	-	-	(497,176)	373,908
Heritage	-	-	-	1,191,098	(29,990)	1,161,108
Loans Redeemed and other Capital Receits written off ito GRAP conversion	(201,231,551)	-	201,231,551	-	-	-
	8,877,771	**3,426,275**	**205,101,004**	**341,102,056**	**(21,484,813)**	**537,022,293**

Notes to the Annual Financial Statements

	2009 R	2008 R

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	10,473,111	-	-	-	10,473,111
Buildings	26,007,228	814,145	-	-	26,821,373
Furniture and fixtures	1,832,623	954,492	-	-	2,787,115
Motor vehicles	3,713,941	68,500	-	-	3,782,441
Office equipment	2,139,489	84,101	(47,057)	-	2,176,533
IT equipment	438,464	270,928	-	-	709,392
Infrastructure	130,824,554	5,013,504	-	-	135,838,058
Water network	26,055,986	594,229	-	-	26,650,215
Leased infrastructure	-	1,411,648	-	(540,564)	871,084
Loans redeemed and other Capital Receipts	(192,342,302)	-	(8,889,249)	-	(201,231,551)
	9,143,094	**9,211,547**	**(8,936,306)**	**(540,564)**	**8,877,771**

Revaluations

The effective date of the revaluations of PPE was 30 June 2008. Revaluations were performed by Combined Systems (Infrastructure) and Daniel Benjamin Grobler (Professional Associated Valuer, Member of the S.A Institute of Valuers and Member of the Council for the Property Valuers Profession, Professional Registration number 2311), from Anzel Trading 1024 trading as: Uluntu Valuations (Land and Buildings). Both contractors are not connected to the municipality.

Land and buildings are re-valued independently every 4 years as per the Municipal Property Rates Act, 6 of 2004.

The infrastructure was revalued using the current replacement cost to determine the fair value of infrastructure assets as no historical cost was available:

Current Replacement Costs

Fixed assets was valued using the cost of modern equivalent assets that would be installed today in order to provide the same level of service as the assets in place.
The replacement costs as at 1 July 2008 was calculated with the best information available and the sources will be disclosed.

Assets Descriptions and Classification

Since some reports are sorted alphabetically on asset description, the NATO Nomenclature (North Atlantic Treaty Organization) naming convention will be followed as far as possible. NATO requires that the most important attribute is to be the primary determinant in the asset description with the progressively less important attributes following. The asset description will therefore reflect the preponderance of common attributes in the order of importance attached to it and the degree of homogeneity with which differences between assets are regarded.
The National Treasury asset classification structure will be used as guideline and assets of Emthanjeni Local Municipality to be classified accordingly. The importance of asset classification is to ensure the correct depreciation of each item (component) with a cost that is significant in relation to the total cost of the asset.

Measurement of Cost

Fixed assets for which the historical expenditure can be directly substantiated with documentary proof, will be brought into account by the Depreciated Cost methodology. Where no historical information is available the Depreciated Replacement Cost methodology will be used to bring the assets into account.

Age & Condition Assessment

Although we are not sworn evaluators, a ‘face value’ assessment of the condition of the infrastructure fixed assets will be done in conjunction with the responsible asset controller of the Municipality.
If the age of the asset cannot be determined fairly reliably it will be assumed that the asset has been in use for half of its useful life.

Notes to the Annual Financial Statements

	2009 R	2008 R

4. Property, plant and equipment (continued)

Other Information

The Municipality has taken advantage the three year transitional period granted in Directive 4 for the initial adoption of GRAP 12, 16, 17 and 102.
Municipalities are granted a period of three years, from the initial adoption of the Standards of GRAP, to measure their assets in accordance with the principles of the relevant Standards. This means that, in the year that entities initially adopt the Standards of GRAP, they should have:

- identified and correctly classified their assets between inventories, investment properties, property, plant and equipment or intangible assets;
- recognised these assets using the principles in the Standards of GRAP; and
- measured these assets either using the principles in the Standards of GRAP or at provisional amounts using the relief allowed in Directive 4.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Finance Leases

Canon (Pty) Ltd

Emthanjeni Municipality leases photcopiers, laser faxes and printers from Canon for a period of 5 years. The lease/rental agreement makes provision for monthly lease/rental payments. The commencement date of monthy lease/rentals varied but the first lease started on 01/04/2004 with the last instalment date 31 July 2010. The initial total monthly rental was R945 and last total payment for all leases is R4940. Ownership of assets will not pass to Emthanjeni Municipality but during the term of the agreement, Emthanjeni Municipality has full control and usage over the assets and has exclusive use of the assets for the fulll duration of the lease/rental agreement. The monthly lease/rental payments escalate at 15 % per annum since the lease/rental agreement commenced, and interest was capitalised during the first half of the lease term.

Reconciliation between the total minimum lease payments and their present value:

At 30 June 2009

	Up to 1 year	1 to 5 years	Total
Amount at balance sheet date	38,085	2,642	40,727
Finance cost	3,072	596	3,668
Present value	35,013	2,045	37,061

At 30 June 2008

	Up to 1 year	1 to 5 years	Total
Amount at balance sheet date	54,563	40,729	95,292
Finance cost	8,570	3,668	12,239
Present value	45,992	37,061	83,055

Katlego (Pty) Ltd

Emthanjeni Municipality leases photcopiers, laser faxes and printers from Katlego for a period of 3 years. The lease/rental agreement makes provision for monthly lease/rental payments. The commencement date of monthly lease/rentals varied but the first lease started on 31/01/2007 with the last instalment date 31 December 2009. The initial total monthly rental was R46173.95 and last total payment for all leases is R47 584.41 . Ownership of assets will not pass to Emthanjeni Municipality but during the term of the agreement, Emthanjeni Municipality has full control and usage over the assets and has exclusive use of the assets for the fulll duration of the lease/rental agreement. The monthly lease/rental payments escalate at 15 % per annum since the lease/rental agreement commenced, and interest was capitalised during the first half of the lease term. Reconciliation between the total minimum lease payments and their present value:

At 30 June 2009

	Up to 1 year	1 to 5 years	Total
Amount at balance sheet date	250,762	0	250,762

Notes to the Annual Financial Statements

			2009 R	2008 R
4. Property, plant and equipment (continued)				
Finance cost	8,894	0		8,894
Present value	241,868	0		241,869

At 30 June 2008

	Up to 1 year	1 to 5 years	Total
Amount at balance sheet date	489,815	250,762	740,577
Finance cost	80,491	8,894	89,385
Present value	409,324	241,868	651,193

Siemens (Pty) Ltd

Emthanjeni Municipality leases a telephone system from Siemens via Centrafin for a period of 5 years. The lease/rental agreement makes provision for monthly lease/rental payments. The commencement date of monthy lease/rental payments was 01/03/2004 with an instalment of R3175 that remains the same throughout the lease/rental agreement term with last premium of R3175 on 31 March 2009. Ownership will not pass to Emthanjeni municipality but during the term of the agreement, Emthanjeni Municipality have full control and usage and exclusive use of the assets for the fulll duration of the lease/rental agreement. Reconciliation between the total minimum lease payments and their present value:

At 30 June 2009

	Up to 1 year	1 to 5 years	Total
Amount at balance sheet date	0	0	0
Finance cost	0	0	0
Present value	0	0	0

At 30 June 2008

	Up to 1 year	1 to 5 years	Total
Amount at balance sheet date	25,399	0	25,399
Finance cost	927	0	927
Present value	24,473	0	24,473

Konica Minolta (Pty) Ltd

Emthanjeni Municipality leases photcopier from Konica Minolta for a period of 5 years. The lease/rental agreement make provision for monthly lease/rental payments. The commencement date of monthy lease/rental payments was 01/04/2008 with an instalment of R2791 that remains the same throughout the lease/rental agreement term with last premium of R2791 on 31 March 2013. Ownership will not pass to Emthanjeni municipality but during the term of the agreement, Emthanjeni municipality have full control and usage and exclusive use of the assets for the fulll duration of the lease/rental agreement. Reconciliation between the total minimum lease payments and their present value:

At 30 June 2009

	Up to 1 year	1 to 5 years	Total
Amount at balance sheet date	33,497	92,117	125,615
Finance cost	13,235	17,405	30,640
Present value	20,262	74,712	94,974

At 30 June 2008

	Up to 1 year	1 to 5 years	Total
Amount at balance sheet date	33,497	125,615	159,112
Finance cost	16,110	30,640	46,751
Present value	17,387	94,974	112,363

	2009 R	2008 R

5. Intangible assets

	2009			2008		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	274,151	(88,113)	186,038	-	-	-

Reconciliation of intangible assets - 2009

	Opening Balance	Transfers	Amortisation	Total
Computer software, other transferred from PPE	-	274,151	(88,113)	186,038

6. Investments

Capital Replacement Reserve Invetment	2,252,794	1,982,220
General Investment	5,244,630	6,618,784
Dog Tax Investment	175,748	154,844
Nyl LC Mun Housing Investment	7,034	6,385
ABSA Investment	2,170	-
	7,682,376	**8,762,233**

7. Non-current receivables

De Aar Country Club - Non-current portion	62,907	78,977
De Aar Country Club - Current portion	12,180	8,705
	75,087	**87,682**

8. Inventories

Water	7,115	6,034
Stores, materials and fuels	564,673	503,674
	571,788	**509,708**

9. Trade and other receivables

Other debtors	3,032,113	2,494,563

Notes to the Annual Financial Statements

	2009 R	2008 R
10. Consumer debtors		
Gross balances		
Rates	2,469,779	6,584,378
Electricity	7,390,821	9,318,219
Water	9,399,089	15,743,753
Sewerage	3,803,542	11,056,361
Refuse	1,061,149	6,584,549
Regional services levies	673,433	594,475
Housing rental	33,966	70,017
Other (specify)	296,896	2,124,219
	25,128,675	**52,075,971**
Less: Provision for bad debts		
Rates	(1,210,518)	(738,707)
Electricity	(3,234,455)	(2,470,139)
Water	(5,912,715)	(1,116,888)
Sewerage	(2,224,043)	(898,181)
Refuse	(505,203)	(470,448)
Regional services levies	(492,276)	-
Housing rental	(133,002)	(1,139)
Other (specify)	(106,167)	-
	(13,818,379)	**(5,695,502)**
Net balance		
Rates	1,259,261	5,845,671
Electricity	4,156,366	6,848,080
Water	3,486,374	14,626,865
Sewerage	1,579,499	10,158,180
Refuse	555,946	6,114,101
Regional services levies	181,157	594,475
Housing rental	(99,036)	68,878
Other (specify)	190,729	2,124,219
	11,310,296	**46,380,469**
Rates		
Current (0 -30 days)	478,290	(570,198)
31 - 60 days	163,045	644,945
61 - 90 days	135,720	253,872
91 - 120 days	1,692,724	6,255,758
Less: Provision	(1,210,518)	(738,706)
	1,259,261	**5,845,671**
Electricity		
Current (0 -30 days)	1,580,199	(42,907)
31 - 60 days	583,137	1,336,176
61 - 90 days	515,509	502,078
91 - 120 days	4,711,976	7,522,872
Less: Provision	(3,234,455)	(2,470,139)
	4,156,366	**6,848,080**
Water		
Current (0 -30 days)	823,811	(103,820)
31 - 60 days	624,919	780,592
61 - 90 days	779,954	529,121

Notes to the Annual Financial Statements

	2009 R	2008 R
10. Consumer debtors (continued)		
91 - 120 days	7,170,405	14,537,860
Less: Provision	(5,912,715)	(1,116,888)
	3,486,374	**14,626,865**
Sewerage		
Current (0 -30 days)	579,681	(100,267)
31 - 60 days	378,347	566,504
61 - 90 days	353,900	360,295
91 - 120 days	2,491,614	10,229,829
Less: Provision	(2,224,043)	(898,181)
	1,579,499	**10,158,180**
Refuse		
Current (0 -30 days)	306,564	(102,310)
31 - 60 days	194,462	357,014
61 - 90 days	177,591	228,103
91 - 120 days	382,532	6,101,742
Less: Provision	(505,203)	(470,448)
	555,946	**6,114,101**
Commonage		
Current (0 -30 days)	(15,304)	-
31 - 60 days	8,482	-
61 - 90 days	8,482	-
91 - 120 days	671,773	594,475
Less: Provision	(492,276)	-
	181,157	**594,475**
Housing rental		
Current (0 -30 days)	(1,516)	-
31 - 60 days	131	-
61 - 90 days	117	70,017
91 - 120 days	35,234	-
Less: Provision	(133,002)	(1,139)
	(99,036)	**68,878**
Other		
Current (0 -30 days)	(21,623)	2,124,219
31 - 60 days	19,956	-
61 - 90 days	8,581	-
91 - 120 days	289,982	-
Less: Provision	(106,167)	-
	190,729	**2,124,219**
Summary of debtors by customer classification		
Consumers		
31 - 60 days	2,483,943	-
61 - 90 days	1,454,462	-
91 - 120 days	1,547,116	-
121 - 365 days	10,947,414	-
	16,432,935	**-**

	2009 R	2008 R
10. Consumer debtors (continued)		
Industrial/ commercial		
31 - 60 days	1,084,161	-
61 - 90 days	348,782	-
91 - 120 days	283,837	-
121 - 365 days	2,530,512	-
	4,247,292	**-**
National and provincial government		
31 - 60 days	231,092	-
61 - 90 days	159,611	-
91 - 120 days	147,886	-
121 - 365 days	1,687,598	-
	2,226,187	**-**
Total		
Current (0 -30 days)	-	1,817,822
31 - 60 days	3,799,196	1,704,110
61 - 90 days	1,962,855	1,187,536
91 - 120 days	1,978,839	31,463,906
121 - 365 days	15,165,524	-
	22,906,414	**36,173,374**
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	10,160	9,760
Bank balances	197,612	115,793
Short-term deposits	1,435,364	1,972,693
Bank overdraft	(1,872,487)	(7,387,380)
	(229,351)	**(5,289,134)**
Current assets	1,643,136	2,098,246
Current liabilities	(1,872,487)	(7,387,380)
	(229,351)	**(5,289,134)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2009	30 June 2008	30 June 2007	30 June 2009	30 June 2008	30 June 2007
ABSA Bank Limited - DE AAR Branch: Acc. Nr. 185 000 00 81	3,586,602	(1,680,915)	(3,715,287)	(1,872,487)	(7,387,380)	(8,142,976)
Standard Bank Limited -Hanover Branch: Acc. Nr. 280350007	4,974	28,168	21,900	42,670	42,632	2,009,938
ABSA Bank Limited - DE AAR Branch: Acc Nr. 4061685162	150,942	69,061	78,836	154,942	73,161	-
ABSA bank Limited - DE AAR Branch: Acc. Nr. 9108837554	-	1,000	43,499	-	1,000	43,499
ABSA Bank Limited - DE AAR Branch: Acc Nr. 9118567212	2,000	1,000	1,009	2,000	1,000	1,009
ABSA Bank Limited - DE AAR Branch Acc. Nr. 9126703969	-	1,000	5,080	-	1,000	5,080
ABSA Bank Limited - DE AAR Branch: Acc Nr. 9133464768	1,014	1,223	4,178	1,014	1,223	4,178

					2009 R	2008 R
11. Cash and cash equivalents (continued)						
ABSA Bank Limited - DE AAR Branch: Acc Nr. 9135303251	1,000	21,714	90,293	1,000	21,714	90,293
ABSA Bank Limited - DE AAR Branch: Acc Nr. 9168828440	2,000	91,813	76,284	2,000	91,813	76,284
ABSA Bank Limited - DE AAR Branch: Acc. Nr. 9180991253	1,001	2,353	2,290	1,001	2,353	2,290
ABSA Bank Limited - DE AAR Branch: Acc. Nr. 9187848328	2,000	1,000	-	2,000	1,000	-
ABSA Bank Limited - DE AAR Branch: Acc. Nr. 9197808413	2,000	883,465	-	2,000	883,465	-
ABSA Bank Limited - DE AAR Branch: Acc Nr. 9199813620	34,808	152,332	-	34,808	152,332	-
ABSA Bank limited - DE AAR Branch: Acc. Nr. 9205813663	1,000	150,000	-	1,000	150,000	-
ABSA Bank Limited - DE AAR Branch: Acc Nr. 9205813362	133,929	441,092	-	133,929	441,092	-
ABSA Bank Limited - DE AAR Branch: Acc. Nr. 9205814279	51,112	224,701	-	51,112	224,701	-
ABSA Bank Limited - DE AAR Branch: Acc. Nr. 92078822270	2,177	-	-	2,177	-	-
ABSA Bank Limited - DE AAR Branch: Acc. Nr. 9222035197	712,617	-	-	712,617	-	-
ABSA Bank Limited - DE AAR Branch: Acc. Nr. 9228175838	187,000	-	-	187,000	-	-
ABSA Bank Limited - DE AAR Branch: Acc Nr. 9223682147	301,705	-	-	301,705	-	-
ABSA Bank Limited - DE AAR Branch: Acc Nr. 2062198817	2,252,794	1,982,220	-	2,252,794	1,982,220	-
ABSA Bank Limited - DE AAR Branch: Acc Nr. 2062198906	5,244,630	6,618,784	5,999,079	5,244,630	6,618,784	5,999,079
ABSA Bank Limited - DE AAR Branch: Acc Nr. 2052997314	7,034	6,385	5,872	7,034	6,385	5,872
ABSA Bank Limited - DE AAR Branch: Acc Nr. 2062199059	175,748	154,844	140,346	175,748	154,844	140,346
ABSA Bank Limited - DE AAR Branch: Acc. Nr. 2068494239	2,170	-	-	2,170	-	-
Total	**12,860,257**	**9,151,240**	**2,753,379**	**7,442,864**	**3,463,339**	**234,892**

12. Revaluation reserve

A revaluation of PPE was done during the year.

Transferred from Accumelated Surplus	341,370,867	-

13. Capital replacement reserve

Statutory funds and other funds in terms of IMFO transferred to the Accumelated Surplus ito GRAP	-	18,918,782
Transferred from Accumulated Surplus ito GRAP	2,252,793	-
Transferred to Unspent Conditional Grants (Fire Fighting Equipment)	-	(224,702)
	2,252,793	**18,694,080**

Notes to the Annual Financial Statements

	2009 R	2008 R

14. Finance lease obligation

Minimum lease payments due		
- within one year	297,131	497,176
- in second to fifth year inclusive	76,777	373,908
Present value of minimum lease payments	**373,908**	**871,084**
Non-current liabilities	76,777	373,908
Current liabilities	297,131	497,176
	373,908	**871,084**

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The effective monthly instalments increased twice per financial year. The monthly instalments at the current year end amounted to R6 639.35, while commencing on 31 March 2005 with the final payments on 31 July 2010. The agreement does provide for contingent lease rent instalments.

Katlego for Photocpiers, Laserfaxes and Printers
The effective monthly instalments increased twice per financial year. The monthly instalments at the current year end amounted to R47 644.75, while commencing on 31 January 2007 with the final payments on 31 December 2009. The agreement does provide for contingent lease rent instalments. The contract was not renewed.

Siemens for Telephone Systems

The effective monthly instalments increased twice per financial year. The monthly instalments at the current year end amounted to R3174.89, while commencing on 31 March 2005 with the final payments on 31 March 2009. The agreement does provide for contingent lease rent instalments. The contract was not renewed.

Konica Minolta for Photocpier

The effective monthly instalments increased twice per financial year. The monthly instalments at the current year end amounted to R2710.54, while commencing on 1 April 2008 with the final payments on 31 March 2013. The agreement does provide for contingent lease rent instalments.

15. Unspent conditional grants and receipts

See note 25 for reconciliation of grants from National/Provincial Government.

FMG	1,000	1,000
Britstown Water Research	62,575	174,532
Housing Acceditation	-	2,290
MIG : Sewerage Fund 06/07	94,287	245,768
Diverse Parking System	27,332	152,332
Booi Mantji Housing Project	-	944,290
Neighbourhood Revitalisation	-	150,000
De Aar Taxi Rank	89,195	507,108
Fire Fightting Equipment	39,188	224,701
Secure Centre	707,212	-
Hydrophonics	300,000	-
Electrification : DME	187,000	-
	1,507,789	**2,402,021**

Notes to the Annual Financial Statements

	2009 R	2008 R

16. Provisions

Reconciliation of provisions - 2009

	Opening Balance	Additions	Utilised during the year	Total
Leave Provision	2,262,318	387,175	-	2,649,493
Provision for Performance Bonusses	265,445	303,365	(247,201)	321,609
Provision: Rehabilitation of Landfil Site	-	296,069	-	296,069
Post Mediacal Aid Obligation	-	15,950,527	-	15,950,527
	2,527,763	**16,937,136**	**(247,201)**	**19,217,698**

Reconciliation of provisions - 2008

	Opening Balance	Additions	Total
Leave Provision	2,189,243	73,075	2,262,318
Provision for Performance Bonus	260,000	5,445	265,445
	2,449,243	**78,520**	**2,527,763**

Non-current liabilities	16,246,596	-
Current liabilities	2,971,102	2,527,763
	19,217,698	**2,527,763**

16.1 Performance Bonus

All employees who are employed in accordance with provisions of section 57 of the Municipal Systems Act are required, in terms of their employment contracts, to sign a performance agreement and performance plan in terms of which their performance is assessed annually. The criteria in terms of which they are assessed is linked to the I.D.P, SDBIP and their performance contracts. Strategic focus areas and key performance indicators are set out in the plan, together with targets and weightings for each target. Employees are assessed quarterly and against these targets and a final assessment is conducted at the end of the financial year. The performance bonus paid to each employee is dependant on the overall score achieved in this assessment and is subject to the approval of the Mayor and Municipal Manager.

16.2 Environmental rehabilitation: Landfill sites

Provision for reclamation of refuse landfill sites. In terms of the licensing of the landfill refuse site, council will incur rehabilitation estimated costs of R4 441 037 to restore the sites at the end of its useful lives.

16.3 Provision for Accrued Leave

The provision for accrued leave have been calculated on the stipulation of the SALGBC maximum accrued leave days of 48 days per employee.

16.4 Post Medical Aid Benefit Obligation

Reconciliation of the opening and closing balances of the present value of the defined benefit obligation

Description	30 June 2009
Previous opening liability	14,342,345
Current service cost	340,929
Interest cost	1,512,377
Actual benefit payments made*	(630,104)
Actuarial loss / (gain)	384,980
Closing balance	15,950,527

* We have calculated this amount based on expected benefits paid. The actual benefit amounts paid (as supplied by the Finance department) needs to be substituted above and the difference netted off from the Actuarial loss / (gain) above to ensure that the Closing balance is unchanged.

	2009 R	2008 R

16. Provisions (continued)

The amounts recognised in the Statement of Financial Performance for the current year is as follow:

Contributions paid	(630 104
Other expenses included in staff costs	2234286
Current service costs	340929
Interest cost	1512377
Acturial loss recognised for the period	380980
Total employee benefits	1608182

17. Other non-current borrowings

Long-term loans		
SEWERAGE R100	-	10,400
DEV BANK: ELEC R1809000 OPENING BALANCE	983,865	(610)
DEV BANK: VEH R4000000 OPENING BALANCE	481,767	2,198,565
DEV BAN ELEC R5449995OPENING BALANCE	3,484,684	4,059,773
Less: Short term portion transferred to Current Liabilities	(1,317,811)	(1,203,780)
	3,632,505	**5,064,348**

18. Current tax payable (receivable)

VAT Receivable	332,831	131,216

19. Trade and other payables

Trade payables	1,271,127	1,169,009
Deposits received	165,233	154,832
Other creditors	2,227,626	4,709,787
Other Creditors - Debtors with credit balances	1,213,613	895,754
	4,877,599	**6,929,382**

20. Taxes and transfers payable

VAT for debtors	2,758,674	5,257,282

21. Consumer deposits

Water & Electricity	1,554,683	1,390,401

22. Revenue

Rendering of services	57,168,079	49,889,313
Rental Income	513,894	334,793
Interest received	1,215,214	1,338,175
Fines	3,185,920	1,965,392
Licences and permits	1,019,902	922,530
Government grants	27,733,063	24,943,909
	90,836,072	**79,394,112**

Notes to the Annual Financial Statements

	2009 R	2008 R

23. Property Rates

Valuations

The valuation of land was performed every ten years and the general valuation came into effect on 1 July 1994. The basic rate was 4.13c in the Rand on the value of improvements. A rebate of 40% was granted to pensioners and indigent persons with an income of R24 670 and less per year.

Uluntu Valuators were appointed to conduct general valuations as per the MPRA. Due to the delay in the valuation process, Council resolved that the MRPA be implemented on 01 July 2009 with the valuation date 01 July 2008. The process was finalised completely during the 2008/2009 financial year to enable implementation of the MPRA.

Valuations on land and buildings are performed every 4 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 September. Interest at prime plus 1% per annum and a collection fee, is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2009.

24. Service charges

Sale of electricity	19,704,845	15,866,745
Sale of water	12,348,873	11,034,113
Sewerage and sanitation charges	8,929,049	7,998,393
Refuse removal	5,395,173	4,786,118
	46,377,940	**39,685,369**

Notes to the Annual Financial Statements

	2009 R	2008 R
25. Government grants and subsidies		
Other Government grants and subsidies	3,176,594	583,988
Equitable Share	16,882,469	13,142,037
Equitable Share: Councillor Remuneration	691,000	607,000
Municipal Systems Improvement Grant (MSIG)	735,000	734,000
Financial Management Grant (FMG)	500,000	500,000
Department of Sports and Culture	503,000	210,433
Department of Health	845,000	749,000
Department of Housing and Local Government	1,700,000	-
MIG	2,700,000	8,417,451
	27,733,063	**24,943,909**
Government grants\Grants and subsidies - Summary		
Balance unspent at beginning of year	2,402,201	890,227
Current-year receipts	27,733,063	24,943,909
Conditions met - transferred to revenue	(28,627,475)	(23,432,115)
	1,507,789	**2,402,021**
Equitable share		
Current-year receipts	16,882,469	13,142,037
Conditions met - transferred to revenue	(16,882,469)	(13,142,037)
	-	**-**
Equitable Share: Councillor Remuneration		
Current-year receipts	691,000	607,000
Conditions met - transferred to revenue	(691,000)	(607,000)
	-	**-**
Municipal Systems Improvement Grant (MSIG)		
Current-year receipts	735,000	734,000
Conditions met - transferred to revenue	(735,000)	(734,000)
	-	**-**
Financial Management Grant (FMG)		
Balance unspent at beginning of year	1,000	-
Current-year receipts	500,000	500,000
Conditions met - transferred to revenue	(500,000)	(499,000)
	1,000	**1,000**
Department of Sports and Culture		
Current-year receipts	503,000	210,433
Department of Housing and Local Government		
Current-year receipts	1,700,000	-
Conditions met - transferred to revenue	(17,000,000)	-
	(15,300,000)	**-**

Notes to the Annual Financial Statements

	2009 R	2008 R
25. Government grants and subsidies (continued)		
MIG		
Balance unspent at beginning of year	245,768	-
Current-year receipts	2,700,000	8,417,500
Conditions met - transferred to revenue	(2,851,481)	(8,171,732)
	94,287	**245,768**
Other Government grants/Grants and subsidies		
Current-year receipts	3,176,594	583,988
Department of Health		
Current-year receipts	845,000	749,000
Conditions met - transferred to revenue	(845,000)	(749,000)
	-	**-**
Other grants and subsidies		
Balance unspent at beginning of year	4,386,596	-
Current-year receipts	3,176,594	-
Conditions met - transferred to revenue	(6,150,689)	-
Other	-	4,386,596
	1,412,501	**4,386,596**

Notes to the Annual Financial Statements

	2009 R	2008 R
26. General expenses		
Accounting fees	122,920	21,768
Advertising	167,984	163,712
Auditors remuneration	875,158	751,840
Bank charges	324,422	253,955
Cleaning	53,757	60,188
Consulting and professional fees	758,175	206,288
Entertainment	291,813	292,570
Insurance	628,770	739,889
Lease rentals on operating lease	379,096	875,607
Motor vehicle expenses - licences	103,824	127,820
Pest control	27,513	-
Fuel and oil	1,511,162	839,286
Postage and courier	1,110,767	896,834
Printing and stationery	296,805	312,757
Protective clothing	244,628	120,949
Security (Guarding of municipal property)	752,900	858,450
Subscriptions and membership fees	137,549	112,679
Training	63,872	-
Travel - local	1,152,985	915,740
Electricity - Departmental	829,920	595,647
Sewerage and waste disposal - departmental	246,666	222,141
Water - departmental	262,637	249,451
Conditional Grants Expense	1,581,661	9,279,606
Provision for the rehabilitation of the landfil site	296,069	-
Chemicals and water testing	48,250	-
Other expenses	1,717,775	3,176,508
Capital inventory items	98,058	3,954,209
	14,085,136	**25,027,894**

Notes to the Annual Financial Statements

	2009 R	2008 R
27. Employee related costs		
Basic	23,360,545	20,460,369
Bonus	1,665,850	1,470,853
Medical aid - company contributions	1,525,086	1,389,334
UIF	241,440	201,415
WCA	26,376	573,736
SDL	283,098	-
Other payroll levies	3,963,196	3,406,967
Overtime payments	610,579	565,964
Housing benefits and allowances	179,117	150,422
Provision for leave	387,175	5,445
Other Allowances	277,670	1,010,107
Provision for senior manager performance bonusses	303,365	-
Termination benefits	1,714,010	132,731
	34,537,507	**29,367,343**
Remuneration of municipal manager		
Annual Remuneration	402,887	377,435
Performance Bonuses	98,681	-
Contributions to UIF, Medical and Pension Funds	68,480	63,011
Travel Allowance	155,562	142,917
Other Allowances	105,081	195,907
	830,691	**779,270**
Remuneration of chief finance officer		
Annual Remuneration	396,155	298,488
Performance Bonuses	81,223	-
Contributions to UIF, Medical and Pension Funds	66,771	165,746
Travel Allowance	105,840	93,600
Other allowances	109,849	5,445
	759,838	**563,279**
Director Infrastructure & Housing Services		
Annual Remuneration	417,652	135,300
Performance Bonuses	77,753	-
Contributions to UIF, Medical and Pension Funds	70,933	48,950
Travel allowance	99,861	30,000
Other allowances	57,694	3,150
	723,893	**217,400**
Corporate and human resources (corporate services)		
Annual Remuneration	299,000	325,856
Contributions to UIF, Medical and Pension Funds	63,887	131,320
Travel allowance	84,000	92,208
Other allowances	44,846	5,400
	491,733	**554,784**

Notes to the Annual Financial Statements

	2009 R	2008 R
28. Remuneration of councillors		
Mayor	503,163	426,264
Speaker	406,027	333,883
Councillors	1,970,763	2,006,005
	2,879,953	**2,766,152**
29. Bad debts		
Bad debts	-	(99,618)
Contributions to bad-debt provision	50,559,743	3,147,735
Bad debts written off	(36,715,630)	-
	13,844,113	**3,048,117**
30. Investment revenue		
Interest revenue		
Investments	1,338,625	732,739
31. Depreciation and amortisation		
Property, plant and equipment	21,583,267	-
32. Finance costs		
Finance leases	173,087	-
Bank	22,771	397,768
Current borrowings	789,240	909,842
Other interest paid	-	67,333
	985,098	**1,374,943**

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

33. Auditors' remuneration		
Fees	875,158	751,840
34. Operating lease		
35. Grants and subsidies paid		
Equitable Share	16,882,469	13,142,037
Equitable Share Councillor RemunerationN	691,000	607,000
MSIG	735,000	734,000
FMG	500,000	500,000
Department of Sports and Culture	503,000	210,433
Department of Health	845,000	749,000
Department of Housing and Local Government	1,700,000	-
MIG	2,700,000	8,417,451
Government grants and subsidies - Other	3,176,594	583,988
	27,733,063	**24,943,909**

Notes to the Annual Financial Statements

	2009 R	2008 R
35. Grants and subsidies paid (continued)		
Other subsidies		
Conditional Grants Expenditure	6,348,390	5,035,540
	21,384,673	**19,908,369**
36. Bulk purchases		
Electricity	14,983,306	11,133,426
Water	746,439	616,154
	15,729,745	**11,749,580**
37. Cash generated from operations		
(Deficit) surplus before taxation	(51,131,564)	5,335,052
Adjustments for:		
Depreciation and amortisation	21,583,267	-
Interest received	(1,338,625)	(732,739)
Finance costs	985,098	1,374,943
Movements in operating lease assets and accruals	246,040	-
Movements in provisions	16,689,935	78,520
Other non-cash items	(7,281,703)	527,537
Changes in working capital:		
Inventories	(62,080)	(205,016)
Trade and other receivables	(537,550)	(1,175,288)
Consumer debtors	35,070,173	(5,918,366)
Trade and other payables	(2,051,782)	(622,395)
VAT	(2,498,608)	1,761,539
Unspent conditional grants and receipts	(894,234)	1,515,971
	8,778,367	**1,939,758**
38. Tax paid		
Balance at beginning of the year	131,216	(318,130)
Balance at end of the year	(332,831)	(131,216)
	(201,615)	**(449,346)**
39. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	2,525,348	216,978
Not yet contracted for and authorised by accounting officer	1,325,818	-

This committed expenditure relates to PPE and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated and grants and subsidies.

Notes to the Annual Financial Statements

	2009 R	2008 R

40. Contingencies

W.J. Van der Merwe's claim (E194)

In this matter the claimant alleges that the tyres of his truck were damaged at the municipal grounds. His damages amounted to R9 875.45. No summons has been issued.

Khomanisi Developers claim (E178)

In this matter the claimant is claiming damages to the tune of R895 698.00. It is alleged that authorised members of the municipality entered certain premises rented by the claimant to the value of R895 698.00, belonging to the claimant. It is our client's case that the MEC for Housing and Local Government instructed our client to take control of the goods, which were the property of Government. It is also our case that the value of the goods that were removed amounts to R133 274.30. The possible exposure of our client, if any, is only R133 274.30. It also appears that our client has a valid defence.

41. Related parties

No related party transactions occured for the year.

42. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

43. Going concern

We draw attention to the fact that at 30 June 2009, the municipality had accumulated deficits of R 180,305,844 and that the municipality's total liabilities exceed its assets by R 523,929,504.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

44. Subsequent events

Sale of Assets

On 3 July 2009 an public auction was held and old and absolute assets to the value of R was sold.

45. Unauthorised expenditure

There were no unauthorised expenditure for the year.

46. Fruitless and wasteful expenditure

There were no fruitless and wasteful expenditure for the year.

47. Irregular expenditure

There were no irregular expenditure for the year.

Notes to the Annual Financial Statements

	2009 R	2008 R

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	132,049	111,872
Amount paid - current year	(132,049)	(111,872)
	-	-

Audit fees

Opening balance	126,280	276,677
Current year subscription / fee	995,877	912,231
Amount paid - current year	(126,280)	(785,951)
Amount paid - previous years	(995,877)	(276,677)
	-	**126,280**

PAYE and UIF

Current year subscription / fee	3,588,683	3,141,978
Amount paid - current year	(3,588,683)	(3,141,978)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	7,344,583	480,419
Amount paid - current year	(7,344,583)	(480,419)
	-	-

VAT

VAT payable	2,758,674	5,257,282

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2009:-

30 June 2009	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor AF Jaftha	(404)	623	219
Councillor JJ Oberholzer	(582)	1,467	885
Councillor BK Markman	570	629	1,199
Councillor J Max	1,103	10,578	11,681
Councillor M Malherbe	789	-	789
Councillor NS Thomas	262	-	262
Councillor L Nkumbi	(294)	-	(294)
Councillor GL Nyl	2,698	5,547	8,245
Councillor GA White	701	3,287	3,988
	4,843	**22,131**	**26,974**

Notes to the Annual Financial Statements

	2009 R	2008 R

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2008	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Sarah Max	295	7,069	7,364
Councillor Sipho Sthonga	90	-	90
Councillor Elijah Hendricks	80	2,552	2,632
Councillor Godfrey Nyl	507	-	507
Councillor Auburn Jafta	1,157	842	1,999
Councillor Sylvia Thomas	488	-	488
Councillor Johnny Oberholzer	-	12,702	12,702
	2,617	**23,165**	**25,782**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

49. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Deviation of the supply chain management regulations only incurred if there was not three quotations. More detail is contained in the deviation register. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Appendix A: Schedule of external loans

The supplementary information presented does not form part of the annual financial statements and is unaudited

Emthanjeni Local Municipality

APPENDIX A

Monthly Rep. Per.
Sort Rows by Mapping Numbers
June 2009

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

	Loan Number	Redeemable	Balance at 30 June 2008 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2009 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
ANNUITY LOAN								
Sanlam @ 9.2%		2009/06/30	10,400	-	10,400	-	-	-
			10,400	**-**	**10,400**	**-**	**-**	**-**
DEVELOPMENT BANK OF SOUTH AFRICA								
Electricity Loan @ 10%	Loan 102	2014/09/30	1,203,170	-	104,307	1,098,863	-	-
Vehicle Loan @ 10%		2010/09/30	2,198,565	-	539,292	1,659,273	-	-
Electricity Loan	Loan 202	2014/09/30	4,059,773	-	549,781	3,509,992	-	-
			7,461,508	**-**	**1,193,380**	**6,268,128**	**-**	**-**
TOTAL EXTERNAL LOANS			**7,471,908**	**-**	**1,203,780**	**6,268,128**	**-**	**-**

Supplementary Information

Appendix B: Analysis of Property, plant and equipment

The supplementary information presented does not form part of the annual financial statements and is unaudited

Emthanjeni Local Municipality
APPENDIX B for the period ended 30 June 2009
June 2009

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation					Accumulated Depreciation					
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand	Budget Additions Rand
Land/ Heritage											
Painting & Art Galleries	1,191,098	-	-	-	**1,191,098**	-	29,990	-	**29,990**	**1,161,108**	**-**
	1,191,098	**-**	**-**	**-**	**1,191,098**	**-**	**29,990**	**-**	**29,990**	**1,161,108**	**-**
Buildings											
Land	10,333,981	-	-	-	**10,333,981**	-	-	-	**-**	**10,333,981**	**-**
Buildings	24,626,898	2,047,623	1,168,971	-	**27,843,492**	-	1,608,136	-	**1,608,136**	**26,235,356**	**-**
	34,960,879	**2,047,623**	**1,168,971**	**-**	**38,177,473**	**-**	**1,608,136**	**-**	**1,608,136**	**36,569,337**	**-**
Leasehold property Investment Assets											
Buildings	268,810	-	-	-	**268,810**	-	10,341	-	**10,341**	**258,469**	**-**
	268,810	**-**	**-**	**-**	**268,810**	**-**	**10,341**	**-**	**10,341**	**258,469**	**-**
Intangible Assets											
Software	40,285	233,866	-	-	**274,151**	-	88,113	-	**88,113**	**186,038**	**-**
	40,285	**233,866**	**-**	**-**	**274,151**	**-**	**88,113**	**-**	**88,113**	**186,038**	**-**
Leased Assets											
Office equipment	1,411,648	-	-	-	**1,411,648**	540,564	497,176	-	**1,037,740**	**373,908**	**-**
	1,411,648	**-**	**-**	**-**	**1,411,648**	**540,564**	**497,176**	**-**	**1,037,740**	**373,908**	**-**
Infrastructure											
Roads	19,537,231	221,793	782,019	-	**20,541,043**	-	2,063,553	-	**2,063,553**	**18,477,490**	**-**
Sewerage Mains & Purif	25,763,335	115,457	627,831	-	**26,506,623**	-	1,290,912	-	**1,290,912**	**25,215,711**	**-**
Electricity Mains	361,242,211	7,591	204,639	-	**361,454,441**	-	12,382,966	-	**12,382,966**	**349,071,475**	**-**
Water Mains & Purification	68,994,765	18,639	106,557	-	**69,119,961**	-	2,555,146	-	**2,555,146**	**66,564,815**	**-**
	475,537,542	**363,480**	**1,721,046**	**-**	**477,622,068**	**-**	**18,292,577**	**-**	**18,292,577**	**459,329,491**	**-**

Emthanjeni Local Municipality
APPENDIX B for the period ended 30 June 2009
June 2009

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation					Accumulated Depreciation					
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand	Budget Additions Rand
Community											
Other property, plant and equipment											
Office Equipment	3,793,323	207,473	-	-	**4,000,796**	-	608,622	-	**608,622**	**3,392,174**	**-**
Furniture & Fittings	1,548,527	38,440	-	-	**1,586,967**	-	224,187	-	**224,187**	**1,362,780**	**-**
Emergency Equipment	-	-	162,731	-	**162,731**	-	-	-	**-**	**162,731**	**-**
Motor vehicles	68,500	537,762	-	-	**606,262**	-	86,634	-	**86,634**	**519,628**	**-**
Plant & equipment	616,974	109,649	856,989	-	**1,583,612**	-	136,132	-	**136,132**	**1,447,480**	**-**
Other Assets	-	121,847	-	-	**121,847**	-	1,358	-	**1,358**	**120,489**	**-**
	6,027,324	**1,015,171**	**1,019,720**	**-**	**8,062,215**	**-**	**1,056,933**	**-**	**1,056,933**	**7,005,282**	**-**
Total											
Land/ Heritage	1,191,098	-	-	-	**1,191,098**	-	29,990	-	**29,990**	**1,161,108**	**-**
Buildings	34,960,879	2,047,623	1,168,971	-	**38,177,473**	-	1,608,136	-	**1,608,136**	**36,569,337**	**-**
Investment Assets	268,810	-	-	-	**268,810**	-	10,341	-	**10,341**	**258,469**	**-**
Intangible Assets	40,285	233,866	-	-	**274,151**	-	88,113	-	**88,113**	**186,038**	**-**
Leased Assets	1,411,648	-	-	-	**1,411,648**	540,564	497,176	-	**1,037,740**	**373,908**	**-**
Infrastructure	475,537,542	363,480	1,721,046	-	**477,622,068**	-	18,292,577	-	**18,292,577**	**459,329,491**	**-**
Other property, plant and equipment	6,027,324	1,015,171	1,019,720	-	**8,062,215**	-	1,056,933	-	**1,056,933**	**7,005,282**	**-**
	519,437,586	**3,660,140**	**3,909,737**	**-**	**527,007,463**	**540,564**	**21,583,266**	**-**	**22,123,830**	**504,883,633**	**-**

Supplementary Information

Appendix C: Segmental analysis of Property, plant and equipment

The supplementary information presented does not form part of the annual financial statements and is unaudited

Emthanjeni Local Municipality

APPENDIX C for the period ended 30 June 2009
June 2009

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation					Accumulated Depreciation				
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand
Executive & Council	-	-	-	-	**-**	-	-	-	**-**	**-**
Finance & Admin	40,724,768	365,848	-	-	**41,090,616**	540,564	3,028,962	-	**3,569,526**	**37,521,090**
Planning & Development	91,493	9,606	-	-	**101,099**	-	19,157	-	**19,157**	**81,942**
Health	-	-	-	-	**-**	-	-	-	**-**	**-**
Community & Social Services	1,075	2,620,553	-	-	**2,621,628**	-	153,959	-	**153,959**	**2,467,669**
Housing	-	-	-	-	**-**	-	-	-	**-**	**-**
Public Safety	-	-	162,731	-	**162,731**	-	-	-	**-**	**162,731**
Sport & Recreation	-	-	-	-	**-**	-	-	-	**-**	**-**
Environmental Protection	-	-	-	-	**-**	-	-	-	**-**	**-**
Waste Management	25,763,335	115,457	1,796,802	-	**27,675,594**	-	1,290,912	-	**1,290,912**	**26,384,682**
Road Transport	22,551,438	349,129	782,019	-	**23,682,586**	-	2,135,097	-	**2,135,097**	**21,547,489**
Water	68,994,765	191,957	106,557	-	**69,293,279**	-	2,558,513	-	**2,558,513**	**66,734,766**
Electricity	361,310,711	7,591	1,061,628	-	**362,379,930**	-	12,396,666	-	**12,396,666**	**349,983,264**
Other	-	-	-	-	**-**	-	-	-	**-**	**-**
	519,437,585	**3,660,141**	**3,909,737**	**-**	**527,007,463**	**540,564**	**21,583,266**	**-**	**22,123,830**	**504,883,633**

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

The supplementary information presented does not form part of the annual financial statements and is unaudited

GOVERNMENT TEMPLATE: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

GRAP	GRAP			GRAP	GRAP		
Current year 2009 Yrly Per. Act. Bal.	Current year 2009 Yrly Per. Act. Bal.	Variance		Current year 2009 Yrly Per. Act. Bal.	Current year 2009 Yrly Per. Bud. Amt	Variance	Explanation of Significant Variances greater than 10% versus Budget
June Year to Date Rand	June Year to Date Rand	Rand		June Year to Date Rand	June Year to Date Rand	Rand	
			Less Inter-Dep Charges				

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

The supplementary information presented does not form part of the annual financial statements and is unaudited

Emthanjeni Local Municipality
APPENDIX E(1) for the ended 30 June 2009
June 2009

	Current year 2009 Act. Bal. R'000	Prior Year # 1 2008 Act. Bal. R'000	Current year 2009 Act. Bal. R'000	Prior Year # 1 2008 Act. Bal. R'000	Current year 2009 Act. Bal. R'000	Current year 2009 Act. Bal. R'000	Prior Year # 1 2008 Act. Bal. R'000	Current year 2009 Act. Bal. R'000	Prior Year # 1 2008 Act. Bal. R'000	Current year 2009 Act. Bal. R'000	Prior Year # 1 2008 Act. Bal. R'000	Current 2009 Act. Ba R'000
Revenue												
Other income												
Expenses												
Other revenue and costs												

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

The supplementary information presented does not form part of the annual financial statements and is unaudited

Emthanjeni Local Municipality
APPENDIX E(2) for the period ended 30 June 2009
June 2009

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

	Additions Rand	Under Construction Rand	Closing Balance Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 5% versus Budget	
Land/ Heritage								
Buildings								
Buildings	2,047,623	1,168,971	**3,216,594**	4,280,232	(1,063,638)	(33)	MIG Funds withdrawn as a result of non-spending	
	2,047,623	**1,168,971**	**3,216,594**	**4,280,232**	**(1,063,638)**	**(33)**		**-**
Leasehold property								
IT equipment								
Software - Intangables	233,866	-	**233,866**	-	233,866	100		
	233,866	**-**	**233,866**	**-**	**233,866**	**100**		**-**
Housing Develop Fund								
Infrastructure								
Roads	221,793	782,019	**1,003,812**	1,872,725	(868,913)	(87)	MIG Funds withdrawn as a result of non-spending	
Sewerage Mains & Purif	115,457	627,831	**743,288**	1,020,833	(277,545)	(37)	MIG Funds withdrawn as a result of non-spending	
Electricity Mains	7,591	204,639	**212,230**	118,880	93,350	44	MIG Funds withdrawn as a result of non-spending	
Water Mains	18,639	106,557	**125,196**	2,000	123,196	98	MIG Funds withdrawn as a result of non-spending	
	363,480	**1,721,046**	**2,084,526**	**3,014,438**	**(929,912)**	**(45)**		**-**

	Additions Rand	Under Construction Rand	Closing Balance Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 5% versus Budget
Community							
Other property, plant and equipment							
Office Equipment	207,473	-	**207,473**	-	207,473	100	
Furniture & Fittings	38,440	-	**38,440**	-	38,440	100	
Emergency Equipment	-	162,731	**162,731**	165,000	(2,269)	(1)	
Motor vehicles	537,762	-	**537,762**	-	537,762	100	
Other	121,847	-	**121,847**	1,608,624	(1,486,777)	(1,220)	MIG Funds withdrawn as a result of non-spending
Plant & equipment	109,649	856,989	**966,638**	1,209,665	(243,027)	(25)	MIG Funds withdrawn as a result of non-spending
	1,015,171	**1,019,720**	**2,034,891**	**2,983,289**	**(948,398)**	**(47)**	**-**
Total							
Buildings	2,047,623	1,168,971	**3,216,594**	4,280,232	(1,063,638)	(33)	MIG Funds withdrawn as a result of non-spending
IT equipment	233,866	-	**233,866**	-	233,866	100	
Infrastructure	363,480	1,721,046	**2,084,526**	3,014,438	(929,912)	(45)	MIG Funds withdrawn as a result of non-spending
Other property, plant and equipment	1,015,171	1,019,720	**2,034,891**	2,983,289	(948,398)	(47)	MIG Funds withdrawn as a result of non-spending
	3,660,140	**3,909,737**	**7,569,877**	**10,277,959**	**(2,708,082)**	**(36)**	**-**

Supplementary Information

Appendix F: Disclosure of Grants and subsidies in terms of the Municipal Finance Management Act

The supplementary information presented does not form part of the annual financial statements and is unaudited

Emthanjeni Local Municipality
APPENDIX F for the ended 30 June 2009
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
June 2009

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.